

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EPA-01 CAB-02 DOTE-00 NAS-01 NSF-01
OES-07 CIAE-00 PM-05 H-01 INR-07 L-03 NSAE-00
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05
COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03
LAB-04 SIL-01 OMB-01 /098 W
-----044863 270458Z /20

R 261722Z JAN 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 8083
INFO USMISSION USNATO
COMICEDEFOR
CINCLANT
SECDEF
CNO
CJCS
COMMANDANT US COAST GUARD

C O N F I D E N T I A L SECTION 1 OF 3 REYKJAVIK 0133

E.O. 11652: XGDS-1
TAGS: MPOL, MARR, NATO, IC
SUBJECT: VISIT OF EUR/NE DIRECTOR OF ICELAND: MEETING WITH
FOREIGN MINISTER

REF: (A) STATE 17374 (DTG 231651Z JAN 78); (B) STATE 1788 (DTG
050104Z JAN 78)

1. SUMMARY: EUR/NE DIRECTOR ROBERT FUNSETH ACCOMPANIED BY
AMBASSADOR AND DCM CALLED ON FOREIGN MINISTER AGUSTSSON
THIS MORNING JANUARY 26 AND REVIEWED STATUS ICELANDIC-
AMERICAN RELATIONS. MAIN ISSUE ON AGUSTSSON MIND,, AAS EEX
PECTED, DURING 45-MINUTE MEETING WAS STATUS OF USG CON-
SIDERATION OF ICELANDIC REQUEST FOR ASSISTANCE IN CONSTRUCT-
ION OF DUAL PURPOSE AIR TERMINAL. AGUSTSSON URGED DECISION
BE REACHED AS SOON AS POSSIBLE AS TO WHETHER USG WILL BE
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ABLE TO ASSIST ON CONSTRUCTION OF TERMINAL BUILDING.
AGUSTSSON NOTED APPROACH OF ICELANDIC ELECTIONS CUR-
RENTLY SCHEDULED FOR JUNE, BUT WHICH MAY WELL COME
EARLIER, AS PRINCIPAL REASON FOR URGENT NEED OF USG
DECISION ON THIS MATTER. IN ADDITION TO DISCUSSION
OF DUAL PURPOSE TERMINAL ISSUE, AGUSTSSON, FUNSETH
AND AMBASSADOR ALSO REVIEWED OTHER ISSUES MENTIONED

IN REF A. FUNSETH STRESSED THAT USG IN RESPONSE TO FOREIGN MINISTER'S REQUEST DURING VISIT LAST SEPTEMBER IS INTERESTED IN VIEWING ALL ASPECTS OF ICELANDIC-AMERICAN RELATIONS AND TO STRENGTHEN OUR COOPERATION IN ALL FIELDS. FOREIGN MINISTER APPRECIATED FUNSETH'S ASSURANCES THAT TERMINAL ISSUE WAS BEING GIVEN PRIORITY CONSIDERATION AT HIGHEST LEVELS IN USG AND WAS PLEASED WITH NEWS OF PROGRESS ON OTHER BILATERAL ISSUES. DISCUSSION RESUMED AT LUNCHEON AT AMBASSADOR'S RESIDENCE DURING WHICH AGUSTSSON MENTIONED THAT HE HAD SPOKEN WITH PRIME MINISTER AFTER OUR MORNING MEETING, AND PRIME MINISTER ASKED AGUSTSSON TO STRESS ADDITIONAL POINT THAT US ASSISTANCE FOR CONSTRUCTION OF TERMINAL WOULD ENABLE PRIME MINISTER AND HIS SUPPORTERS TO COUNTER GROWING DEMANDS FOR SOME FORM OF COMPENSATION FOR PRESENCE OF BASE.

2. AFTER BRIEF EXCHANGE OF COURTESIES FOREIGN MINISTER AGUSTSSON STATED HE WOULD LIKE TO GET RIGHT TO POINT WITH MAIN ITEM OF "UNFINISHED BUSINESS" WHICH REMAINS TO BE RESOLVED. HE SAID POINTS RAISED IN HIS PRESENTATION ON TERMINAL ISSUE TO ASSISTANT SECRETARY VEST DURING HIS VISIT TO US LAST SEPTEMBER REMAINED VALID. HE THEN NOTED THAT ICELANDIC NATIONAL ELECTIONS WERE GETTING NEARER DAY BY DAY AND COULD TAKE PLACE EVEN EARLIER THAN JUNE IF TWO PARTIES IN COALITION FELT IT NECESSARY TO DO SO. HE STATED THAT IT WOULD BE VERY HELPFUL IF THE COALITION PARTNERS COULD TELL THE PEOPLE THAT USG HAD BEEN RESPONSIVE TO REQUESTS OF FOREIGN MINISTER AND PRIME MINISTER FOR ASSISTANCE IN
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CONSTRUCTION OF DUAL-USE TERMINAL FACILITY EXPANDING ON UNDERSTANDINGS ARRIVED AT IN THE 1974 MOU.

3. FOREIGN MINISTER THEN COMMENTED ON CURRENT POLITICAL PROBLEMS FACED BY COALITION IN FACE OF INFLATIONARY CYCLE AND POSSIBILITIES OF AN EARLY ELECTION OF GOVERNMENT EFFORTS TO HANDLE MATTER PROVE UNACCEPTABLE TO LABOR UNIONS. (THIS SUBJECT BEING REPORTED IN SEPTEL.)

4. FUNSETH THANKED FOREIGN MINISTER FOR HIS COMMENTS AND NOTED THAT HE WAS VERY IMPRESSED DURING AGUSTSSON'S VISIT TO UNITED STATES THAT MINISTER HAD STRESSED NEED TO EXAMINE VARIOUS ISSUES WITH DESIRE TO STRENGTHEN US-ICELANDIC RELATIONS. FUNSETH REMARKED THAT IT WAS HIS DESIRE ALSO TO LOOK AT THESE RELATIONS IN THEIR ENTIRETY JUST AS MINISTER HAD SUGGESTED. FUNSETH THEN ADDED THAT ON TERMINAL ISSUE THERE WAS NO NEW INFORMATION HE COULD IMPART OTHER THAN REITERATE POINTS ACTING ASSISTANT SECRETARY VINE HAD MADE TO AMBASSADOR HANS ANDERSEN (REF B). SINCE DUAL-USE TERMINAL REQUEST WAS RECEIVED 2-1/2 MONTHS AGO, IT HAS BEEN GIVEN TOP PRIORITY IN DOD. ALL AUTHORITIES IN STATE

AND DEFENSE APPRECIATE IMPORTANCE OF PROJECT AND ARE AWARE OF PRESSURES WHICH FORTHCOMING ELECTIONS ARE HAVING ON GOI. HOWEVER, FUNSETH REITERATED POINTS MADE IN REF A THAT ISSUE'S COMPLEXITY AND THE NEED TO EXAMINE IT VERY CAREFULLY BEFORE REACHING ANY DECISION PRECLUDED ANY PREMATURE PREDICTIONS AT THIS POINT ON FINAL RESULTS OF THESE DELIBERATIONS.

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5. FUNSETH THEN NOTED HE HAD INFORMATION ON STATUS OF SOME OF THE OTHER PROJECTS CURRENTLY UNDER CONSIDERATION. FUNSETH POINTED OUT THAT WORKING LEVEL GROUP OF U.S. NAVY HAD REACHED FAVORABLE DECISION ON GEOTHERMAL HEATING FOR NATO BASE AND HAD PRESENTED THAT RECOMMENDATION TO DOD. HOWEVER FUNSETH UNDERLINED THAT HE WAS CONVEYING THIS INFORMATION ON PERSONAL BASIS TO AGUSTSSON PEN PEN FINAL RESOLUTION OF MATTER WITHIN DOD. HE NOTED ALSO OUR ESTIMATE THAT CONVERSION COST FOR PROJECT WOULD RUN AT LEAST \$28 MILLION.

6. ON VHF AERONAUTICAL EQUIPMENT FUNSETH MENTIONED ALL THREE TALKING POINTS IN REF A NOTING THAT DOD HAD IDENTIFIED \$121,000 IN EQUIPMENT WHICH HAD ALREADY BEEN SET ASIDE AND THAT FUNDING FOR THE ADDITIONAL \$60,000

WORTH WAS CURRENTLY BEING SOUGHT AND THAT MATTER WOULD PROBABLY
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BE RESULOVED SOON.

7. FUNSETH RAISED STATUS OF ICELANDIC CIVIL AVIATION
REQUEST CONCERNING LOFTLEIDIR DESIRE TO SERVICE
BALTIMORE AND LOS ANGELES AND NOTED THAT BILATERAL
CIVIL AVIATION NEGOTIATIONS WOULD PROBABLY BE REQUIRED IN
ORDER TO ARRIVE AT MUTUALLY SATISFACTORY SOLUTION.

8. FUNSETH NOTED U.S. COAST GUARD WAS INTERESTED
IN FURTHER COOPERATION WITH ICELANDIC COAST GUARD
AND THAT USCG WAS PREPARED TO SEND A SMALL DELE-
GATION TO REYKJAVIK SOMETIME THIS SPRING TO REVIEW
WITH THEIR ICELANDIC COUNTERPARTS SUBJECTS OF MUTUAL
INTEREST AND TO IDENTIFY AREAS FOR FURTHER COOPERATION.

9. FUNSETH ALSO REVIEWED OTHER AREAS FOR US-ICELAND
COOPERATION ESPECIALLY IN FIELDS OF FISHERY TECH-
NOLOGY, FISHERY BIOLOGY, MARINE GEOLOGY AND GENERAL
MARINE RESEARCH, DRAWING ON TALKING POINTS PROVIDED
REF A. AGUSTSSON NOTED SUCH ADDITIONAL COOPERATION
WOULD BE APPRECIATED BY THE ICELANDERS.

10. AGUSTSSON SAID HE WAS VERY PLEASED THAT THERE
WERE MANY AREAS IN WHICH PROGRESS WAS BEING MADE,
ESPECIALLY THE GEOTHERMAL PROJECT, BUT ALSO ON THE
VHF AERONAUTICAL EQUIPMENT, US-ICELANDIC COAST GUARD
COOPERATION; AND OTHER AREAS OF POTENTIAL COOPERATION,
BUT ADDED HE WOULD LIKE TO MAKE A FEW MORE POINTS
CONCERNING THE DUAL-USE TERMINAL ISSUE. HE NOTED
PRESENT TERMINAL IS TOO SMALL AND NOT CAPABLE OF
DEALING WITH GROWING AIR TRAFFIC. HE MENTIONED
EXISTING BUILDING WAS ALSO DANGEROUS BECAUSE IT WAS
MADE OF INFLAMMABLE MATERIALS. HE STRESSED GOI
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WOULD LIKE TO HAVE ANSWER ONE WAY OR ANOTHER ON
ISSUE BY SPRING: WHETHER ICELANDERS WOULD HAVE TO
BUILD IT THEMSELVES OR WOULD HAVE BENEFIT OF SOME US
ASSISTANCE. HE THEN MENTIONED HE WAS CONFIDENT THAT
THEY COULD CONTINUE TO RELY ON US PROMISES EMBODIED
IN 1974 MOU THAT AT LEAST USG WOULD STILL TAKE CARE
OF COST OF FACILITIES OUTSIDE TERMINAL BUILDING (E.G.
RAMPS, TAXIWAYS, ACCESS ROADS, ETC.). HE ADDED GOI

WOULD NEED A DECISION "SOONER RATHER THAN LATER",
IF U.S. WOULD ASSIST ON PROJECT OR WHETHER PROJECT
WAS JUST "BRILLIANT IDEA THAT IS UNFORTUNATELY NOT
USEABLE". ACTUAL TIMING ON FUNDING OF ANY ASSISTANCE
WOULD BE SECONDARY CONSIDERATION IF FOR ANY REASON
USG HAD TO DEFER SUCH FUNDING BECAUSE OF BUDGETARY
CONSTRAINTS. IF USG WAS IN POSITION TO HELP, GOI
WOULD FIND IT USEFUL SIMPLY TO BE ABLE TO IDENTIFY
SITE OF TERMINAL AND PERHAPS TO BUILD A ROAD INTO IT
IN ORDER TO SHOW FACILITY IS ACTUALLY GOING TO BE
BUILT, EVEN THOUGH "WE WOULD NOT HAVE TO SAY WHICH DAY,
MONTH OR EVEN YEAR THAT CONSTRUCTION WOULD
BE COMPLETED." HE SAID U.S. ASSISTANCE ON PROJECT
WOULD NOT ONLY HELP GOI BUT WOULD HAVE LONG-TERM
BENEFIT TO NATO AND TO U.S. FUNSETH ASSURED MINISTER
THAT HE WOULD RELAY HIS REMARKS TO APPROPRIATE
AUTHORITIES IN STATE AND DEFENSE AND OTHER INTERESTED
PARTIES.

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11. AT LUNCHEON AT AMBASSADOR RESIDENCE FOLLOWING
ABOVE CONVERSATIONS, FOREIGN MINISTER AGUSTSSON
MENTIONED TO FUNSETH AND AMBASSADOR THAT HE HAD

BRIEFED PRIME MINISTER HALLGRIMSSON FOLLOWING THIS MORNING'S MEETING. PRIME MINISTER HAD MENTIONED ONE OTHER POINT WHICH HE WOULD LIKE TO HAVE TAKEN INTO CONSIDERATION BY USG CONCERNING TERMINAL PROPOSAL. PRIME MINISTER, ACCORDING TO AGUSTSSON, FELT THAT FAVORABLE USG DECISION ON ICELAND'S REQUEST FOR ASSISTANCE ON DUAL PURPOSE TERMINAL CONSTRUCTION WOULD PROVIDE EXCELLENT TOOL FOR PRIME MINISTER TO USE IN LAYING TO REST GROWING SENTIMENT WITHIN ICELAND AND EVEN WITHIN CABINET FAVORING COMPENSATION FROM U.S. FOR BASE (ARONISM.) AGUSTSSON SAID BOTH HE AND PRIME MINISTER FELT THAT U.S. ASSISTANCE IN THIS MAJOR PROJECT WOULD EFFECTIVELY COUNTER GROWING CONFIDENTIAL

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POPULAR SUPPORT FOR "ARONISM" FOR "THE FORSEEABLE FUTURE". AGUSTSSON WENT ON TO SAY THAT IN HIS TENURE AS FOREIGN MINISTER (WHICH GOES BACK TO 1971) HE FELT HE HAD HAD TWO MAJOR FOREIGN POLICY MATTERS TO RESOLVE. ONE WAS EXTENTION OF ICELAND'S FISHERY LIMITS TO 200 MILES AND OTHER WAS OBTAINING U.S. COOPERATION IN CONSTRUCTION OF TERMINAL. FIRST ISSUE HAS OBVIOUSLY BEEN SUCCESSFULLY RESOLVED, AND AGUSTSSON WAS HOPEFUL THAT SECOND ONE ALSO WOULD BE SETTLED IN MANNER BENEFICIAL BOTH TO ICELAND AND UNITED STATES.

12. THIS MESSAGE HAS BEEN SEEN IN DRAFT BY MR. FUNSETH. BLAKE

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Message Attributes

Automatic Decaptioning: X
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